

Section 4: Articles

USAID NGO Sustainability Index: Ten-Year Retrospective

INTRODUCTION

The first edition of USAID's NGO Sustainability Index (Index) was published in 1997, making this year's edition the 10th annual publication.

In the wake of the political transformations that swept across Central and Eastern Europe (CEE) and the New Independent States (NIS) in 1989 and the early 1990s, civil society began to take root. Its flourishing was sufficient in some countries to be called a “renaissance,” but it developed to varying extents in every country of the region. During the early years of this historic transition, USAID's Europe and Eurasia Bureau recognized the need for an instrument which would track the strength and viability of non-governmental organizations (NGOs) developing within the newly transitioning countries of the CEE and NIS regions. In 1997, USAID developed the NGO Sustainability Index (Index) as the tracking instrument. Since that time, the Index has served as a measure of progress and regress, as well as a diagnostic for the existing needs of the NGO sector. The Index now serves a much broader audience, and is used by local NGOs, governments, other donors, academics, and others. This year's Index is the tenth edition.

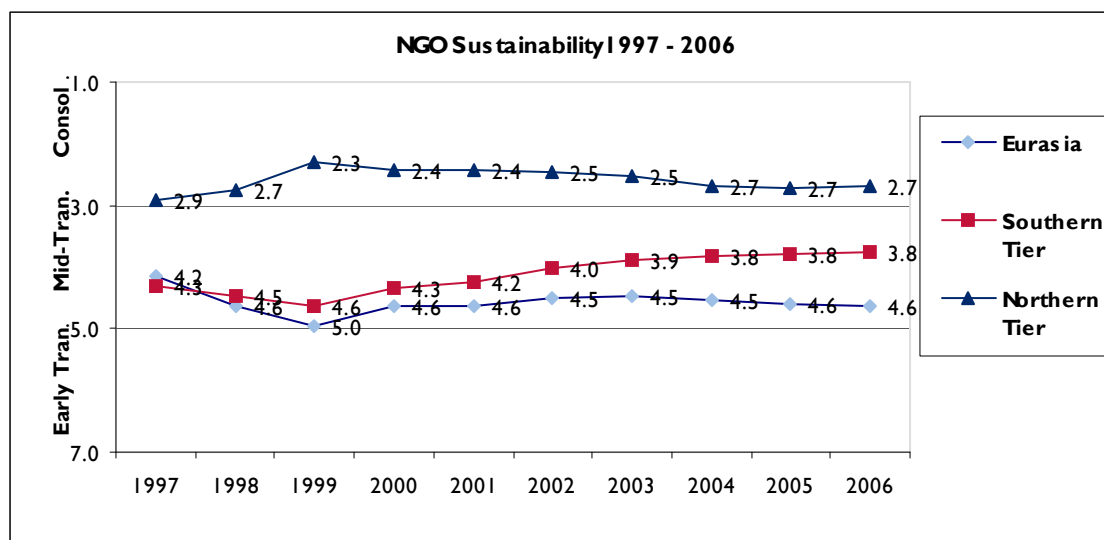
The Index examines the overall enabling environment. It is not designed to measure the sustainability of individual NGOs, but rather the sustainability of the sector as a whole. Recognizing that sectoral sustainability depends on a variety of factors, the Index focuses on seven separate but related dimensions: the legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image.

The Index was created in close cooperation with NGOs and the process of gathering data has always been a shared responsibility among USAID staff; NGOs; academic experts; partners from the government, business, and media sectors; and other donors. In each country, USAID convenes a panel of experts, composed of these stakeholders. Country-specific reports are reviewed by an editorial committee in Washington to help ensure meaningful comparisons across countries. Indeed, the Index derives its legitimacy as a measuring tool through its broadly inclusive methodology.

From the beginning, USAID has conceived of the Index as a living document, and it has changed shape and scope over the years. In 1997, 17 countries were included in the Index; as of 2006, 28 countries plus Kosovo. In 1997, five different aspects of the NGO sector were analyzed; currently, seven dimensions of the NGO sector are examined. The process of compiling each Index has been a learning experience, and USAID continues to refine the Index to improve its utility as a measurement tool.

With ten editions, the Index provides a wealth of data, including both longitudinal, in-country data, as well as comparative data. The past ten years have clearly shown that NGO sector sustainability presents an ongoing challenge and must remain a long-term development goal. Sectoral sustainability has been largely consolidated in most countries of the Northern Tier. In most countries of the Southern Tier, there has

been slow but steady progress. Developments in Eurasia have been more mixed, with good progress being made in some countries, alongside slower progress or even regression in other countries.¹



With a bird's-eye view cast over the past ten years, this paper highlights themes, issues and trends relating to NGO sustainability. Section II briefly takes note of three fundamentally important influences on the sustainability of the overall NGO sector. Section III focuses on the trends that have emerged with respect to each of the Index's seven dimensions of sustainability. Finally, Section IV concludes with a summary of comparative regional data.

THE CONTEXT OF SUSTAINABILITY

At issue in the Index are seven *internal* dimensions of NGO sector sustainability: legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure, and public image. Taken together, these dimensions provide a basic description of what a sustainable NGO sector should look like. Of course, NGO sector sustainability is subject to the broader political, social and economic climate, both nationally and internationally. For example, financial viability is difficult to achieve where national and local governments suffer from shrinking resources, there are low levels of socio-economic development, the business sector is weak, there is no tradition of philanthropy, and the regulatory environment is inhospitable. In this section, we turn briefly to examine three contextual issues to illustrate the impact of the broader climate on NGO sustainability.²

¹ The Index generally divides the countries studied into three (3) regions: the Northern Tier, Southern Tier and Eurasia. The Index also envisions three (3) phases of transition to include the Early Transition, Mid-Transition, and Consolidation phases. We will make references to the regional and transition categories throughout this paper.

² The three contextual issues selected are intended to illustrate the impact of the broader political climate on NGO sustainability. By no means, however, do we intend to claim that these are the only three relevant contextual factors; on the contrary, these are three issues among many – three which are highlighted in the successive publications of the Index. Another key contextual factor not included is EU accession. For the 10 countries affected, it is too early to judge the full impact, as 8 of the countries acceded to the EU in 2004, and Bulgaria and Romania only on January 1, 2007. That said, the 2006 Index contains initial indications of the impact of access to EU structural funds.

Impact of International Donor Assistance

An assumption underlying the Index is that international donor assistance – including, of course, USAID assistance – promotes NGO sustainability. Indeed, the Index expressly states that “continued international donor support and capacity building programs are necessary for indigenous NGO sectors to achieve sustainability.”³ At the same time, however, the Index recognizes that the infusion of international donor support is not wholly positive. Donor support may be effective in launching NGOs, but may also foster financial dependency. More disturbingly, donor support may lead to donor-driven organizations, which are not committed to well-defined missions and which become increasingly divorced from the needs of local constituencies and communities.⁴

International donor assistance can thus be a double-edged sword and deserves to be wielded carefully. Large amounts of donor funds do not necessarily contribute to sustained progress. Donors must recognize this challenge; the Index has consistently recommended forward-thinking strategies to meet that challenge and to provide effective donor assistance.⁵

In short, donor assistance must be targeted wisely so as to develop the capacity of local NGOs and to further their independence through civic engagement and integration into local communities. Donors should design and implement assistance to NGOs with an eye toward the long-term sustainability of the sector. Donors would be well advised to keep the following recommendations in mind when providing support⁶:

- Maintain realistic expectations about the sustainability of individual grantees and the sector as a whole;
- Consider covering overhead costs of NGOs, as donor limitations on the amount of overhead that can be charged can seriously weaken NGOs;
- Support NGOs that have well-developed constituencies and avoid those that lack a local base of support;
- Work with existing local NGOs rather than create new ones, as existing NGOs will be more likely to reflect local needs, conditions and priorities rather than the donor’s agenda;

³ 1999 Index, Executive Summary, p. 8. Nearly identical statements can be found in the 2000 and 2001 Indices.

⁴ “[D]espite large amounts of international donor money being spent in the Stability Pact countries, much of that investment is not being used in ways that sufficiently empower indigenous NGOs to build their constituencies and respond to the needs and priorities of their communities. In Bosnia, the lack of donor funds to address local priorities has contributed significantly to what many observers describe as an “ownership gap” where NGOs receiving donor grants often suffer from a weaker sense of mission and commitment than those who formed independently in response to community needs.” 2000 Index, Executive Summary, p. 4.

⁵ For example:

- “Donor assistance needs to go beyond technical skills and financial assistance, and encourage NGOs to focus on their missions and their customers, public accountability and transparency.” (2000 Index, Executive Summary, p. 9);
- “Donor programs need to generate community vitality and train NGOs in civic engagement.” (2001 Index, Executive Summary, p. 11);
- “The challenge for donors is to continue providing financial support and technical assistance to the sector while simultaneously encouraging local NGOs to be more independent of them, and more integrated and responsive to their communities.” (2002 Index, Executive Summary, p. 10).

⁶ The following donor recommendations are drawn from a study conducted by Management Systems International, Inc.: Management Systems International (Blair, Harry, Burgerman, Susan, Elzeney, Duaa, and Herman, Robert), *Civil Society Financial Viability: Key Factors, Challenges and Prospects in a Changing Strategic Environment* (Washington, D.C. United States Agency for International Development 2006).

- Provide funding only in the amount that can conceivably be sustained through local source contributions once the program ends; and
- Refrain from imposing the donor's own agenda on local NGOs, and ensure that project goals and objectives reflect the priorities of the recipients.

Impact of Government

Indisputably, government plays a fundamentally influential role in the health and viability of NGO sectors, through, among others, the following interventions:

- The implementation of laws affecting the NGO sector;
- Official (or unofficial) policy toward the sector;
- Communication with the sector;
- Financing (or the lack of financing) of the sector;
- Coverage of the NGO sector through state-controlled media; and
- Shaping the overall political, economic and social climate in the country.

On the one hand, government support and encouragement of NGOs can play a critical role in strengthening the sector. To prove this point, we need only refer to the Northern Tier countries, where supportive legal frameworks, government financing and institutionalized mechanisms for cooperation have been put in place in most countries and the sector has reached consolidation in many dimensions of sustainability. On the other hand, passive or hostile government policy of course can undermine the sector's viability. Indeed, we have seen how "it is possible for a government to engineer considerable and immediate deterioration in the environment for NGO sustainability using a single weapon – repressive legal environments governing the sector."⁷ The regulatory crackdown on NGOs has proved particularly harsh in Azerbaijan, Belarus, Turkmenistan, and Uzbekistan, and has also been felt in several other countries in Eurasia.

Impact of Revolution

Political revolutions were not uncommon in the CEE/NIS regions during the past 10 years: Slovakia in 1998, Serbia in 2000, Georgia in 2003, Ukraine in 2004, and arguably, Kyrgyzstan in 2005. First and foremost, these events highlight the transformational impact of civil society. Second, they illustrate that authoritarian regimes may serve to motivate the sector to concentrate its energies and resources into a get out the vote campaign or an opposition movement. But perhaps most interesting from the perspective of long-term sustainability are the opportunities and challenges that the NGO sector faces in post-revolution settings. Naturally one would expect that political change from authoritarian regimes would lead to significant advances for sustainability in those countries. The Index, however, presents a mixed picture:

- Slovakia's score improved from 2.8 to 2.1 in the year following the ousting of Meciar and to 1.9 the next year; this shows an immediate positive impact. Unfortunately, however, Slovakia's score crept back to 2.6 by 2005, nearly matching its 1998 level.
- Serbia's score also showed significant improvements in the lead-up to and immediate aftermath of Milosevic's fall, moving from 5.4 in 1999 to 4.5 in 2000, and 4.1 in 2001. Since that time, the sector in Serbia has become increasingly frustrated with the lack of progress. Moreover, recent developments, including the fact that NGOs were shut out of the constitutional reform process, are a step backward. Its sustainability score now rests at 4.5, matching its 2000 level.

⁷ 2005 Index, Executive Summary, p. I.

- In Georgia, the score changes have been less marked, and did not demonstrate significant advances. Instead, the sustainability score was 4.1 in 2003, improved to 3.9 in 2004, and dropped to 4.0 in 2005, where it remains. Apparently, improved relations between the sector and the government have quickly given way to disillusionment.
- It is almost certainly too early to judge the full impact of revolution on NGO sustainability in Ukraine and, to the extent that it was a revolution, in Kyrgyzstan. Encouragingly, Ukraine has shown slow but steady progress since 2002, improving each year by one percentage point (from 4.0 in 2002 to 3.6 in 2006). In Kyrgyzstan, NGOs had an unprecedented opportunity to raise their agenda with the government that formed following the March 2005 events, but its overall sustainability score has remained at 4.1 for the past two years.

NGO involvement in revolutionary events typically leads to an immediate boost to ratings in the areas of advocacy and public image, in particular, reflecting among other things the improvements in constituency outreach and coalition building necessary to mount an effective challenge to the government. Not surprisingly, the sudden improvement to the scores of these dimensions usually does not hold. Almost inevitably, NGOs do not maintain the same degree of advocacy engagement and high-profile public image as in the year of revolution. Thus, the improvements to sustainability ratings may prove to be a one-year spike in these dimensions, followed by a gradual return of the ratings to pre-revolution levels.

Moreover, the change in governmental leadership following the revolution may even act to undermine the sustainability of civil society. In Georgia, for example, initial optimism has faded into a sense of exclusion and increasing frustration; the NGO sector has experienced setbacks in the public image dimension due to difficulty in reaching out to the public and negative media coverage. Moreover, the NGO sector in Georgia has experienced a 'brain drain' with many leaving the sector to serve in government.

Ukraine has thus far proved a notable exception to the fluctuating scores in post-revolution settings. Sustainability scores for the NGO sector in Ukraine have held steady and even shown ongoing improvement since the 2004 "Orange" Revolution. The spikes in the ratings of the advocacy and public image dimensions, so volatile in other countries, have continued to improve or remained steady. Indeed, since 2004, ratings have improved in the 5 of 7 dimensions: organizational capacity, financial viability, advocacy, infrastructure, and public image.

THE DIMENSIONS OF SUSTAINABILITY

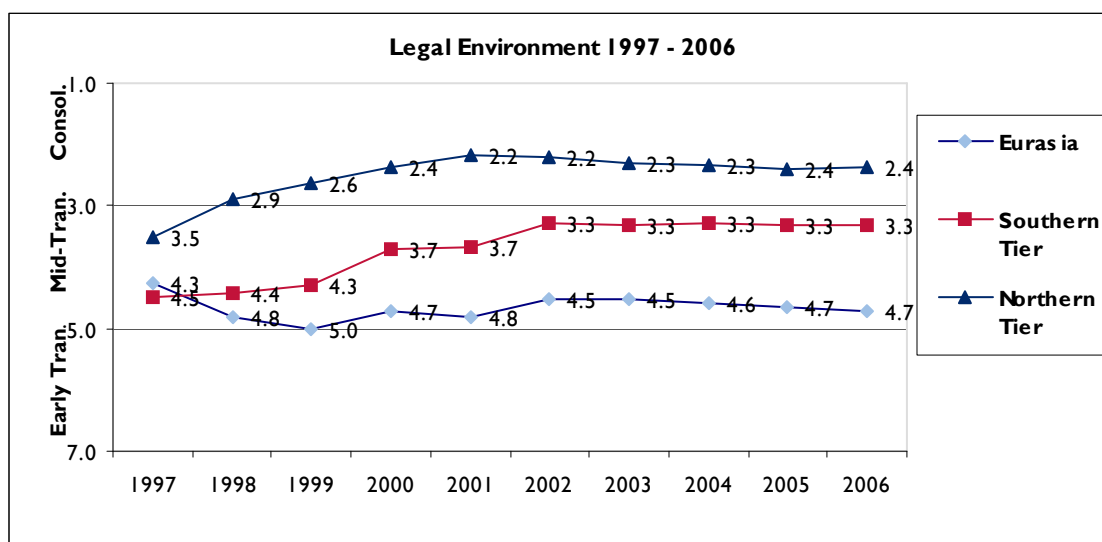
Legal Environment

The Index recognizes that an enabling legal environment is a necessary, but not sufficient, condition for the development of a strong and sustainable NGO sector. As the first of seven dimensions, the legal environment is highlighted as a fundamental starting point for the viability of the NGO sector; its significance is cross-cutting, as it impacts, either directly or indirectly, on all the other indicators. Indeed, the legal environment includes not simply registration, but also internal governance, government supervision, taxation of income, economic activities, advocacy activities, partnership with government, public funding, volunteerism, etc. At the same time, the legal environment is only one indicator among several; as experience has shown, an enabling legal framework is no guarantee of a strong sector any more than a disabling legal framework is an insurmountable barrier.

In the Index's early years (1997-2000), countries throughout each region made real progress in creating a sound legal and regulatory framework. By 2000, most of the Northern Tier countries had already entered the consolidation phase of development, meaning that the legal framework in those countries was generally enabling, with steps being taken toward improved fiscal treatment of NGOs. The Southern Tier

countries made measurable progress in the mid-transition phase during this time frame, with improved framework legislation enacted in Bulgaria, Kosovo, Macedonia, Montenegro and Romania, as well as the preparation of draft laws in Albania, Bosnia and Croatia. By contrast, the legal frameworks in Eurasia were only just moving from the early transition phase to the mid-transition phase. Nonetheless, several countries in Eurasia – notably, Azerbaijan, Kyrgyzstan and Tajikistan – made noticeable strides at this time toward an improved legal environment.

During the Index's middle years (2001-2003), the legal environment continued to improve in the Northern Tier countries. Local reform efforts bore fruit in the form of laws and regulations promoting financial sustainability; Slovakia, Lithuania and Poland, for example, enacted a 1% tax designation law, a 2% tax designation law and a law on public benefit activities, respectively. During the same time period, there was a surge of progress in many Southern Tier countries, with reasonably enabling framework legislation enacted or coming into force in Albania, Bosnia, Bulgaria and Croatia. Reform efforts were also made in Serbia but the draft Law on Associations was not enacted. By contrast, the legal environments in the countries of Eurasia faced more resistance to reform and more visibly problematic implementation; NGO registration, for example, was reported to be very time-consuming in Azerbaijan, difficult and expensive in Belarus, and virtually impossible in Turkmenistan. Against this backdrop, there were modest improvements, including the passage of new laws in Armenia and Kazakhstan, which, because they left a number of problems unresolved, were perceived as a mixed blessing, but did result from more transparent law-drafting processes.



In more recent years (2004-2006), the Index reveals a growing gap between Europe (including both Northern and Southern Tiers) and Eurasia regarding the use of law in relation to the NGO sector. Positive reform efforts are ongoing in the Northern and Southern Tiers. Increasingly, countries in both regions are revisiting NGO framework legislation and seeking to improve it still further. Such efforts led to new framework legislation in Latvia (Law on Associations and Foundations) and in Romania (Law on Associations and Foundations). Furthermore, broadly participatory reform processes are underway in Bulgaria, Macedonia and Hungary. By contrast, the trend in Eurasia during the same time period has been to use law to threaten and undermine the sector. This is particularly true in Russia, Belarus and Uzbekistan, where legislation was introduced and/or enacted that created registration burdens and barriers to informal activity, increased supervisory powers of government organs, and created barriers to the receipt of funding. Serious legal barriers remain in the Caucasus countries as well.

Of course, exceptions are found in all regions. The legal environment in Slovenia, alone among the Northern Tier grouping, remains stuck in the mid-transition phase, although a new law on associations was enacted in 2006, which will hopefully contribute to improved sustainability in the future. Serbia is the sole country in the Southern Tier that has yet to enact new framework legislation in the past 10 years. And in the Eurasia region, Georgia, in recently liberalizing tax benefits for NGOs, and Ukraine, in amending its NGO Registration Law, proved exceptions to the trend of deteriorating legal environments. Of course, additional legal challenges remain in all countries.

Organizational Capacity

Organizational capacity relates directly to the ability of the NGOs to carry out their missions effectively. The organizational capacity of NGOs is measured through the use of strategic planning and program formulation, financial budgeting and tracking procedures, reporting and evaluation skills, reliance on boards, by-laws and staffing, as well as professional training opportunities. By examining individual organizational capacity, the Index helps to measure the capacity of the sector as a whole. Here again, it should be noted that an NGO's internal capacity has a direct impact on the other indicators, namely on its ability to be financially viable, to engage effectively in advocacy and service provision, as well as on its public image.

The Index reveals, early on, a gap between the Northern Tier countries and the countries of the Southern Tier and Eurasia. Since 1998, the organizational capacity of the NGO sectors in most Northern Tier countries has fallen within the consolidation phase. The 1999 Index notes that the organizational capacity of NGOs "remain[s] strong and stable in the Northern Tier, generally showing steady progress."⁸ There are, of course, challenges; as but one example, NGOs often have weak links to their constituents even in the more advanced Northern Tier. Moreover, as a general trend, organizational capacity scores in the Northern Tier have been weakening, climbing from an average of 2.1 (1999) to 3.0 (2005). This trend, however, does not necessarily reflect deteriorating organizational capacity in the region, but rather (1) the inclusion of countries such as the Czech Republic and Slovenia, which were not included in the early years of the Index, whose relatively weaker ratings negatively affected the regional average, and (2) the likelihood that scores have been re-calibrated over time, as sectors have moved from optimistic to more realistic perceptions of their capacity. Significantly, the 2006 Index scores for organizational capacity in most Northern Tier countries (but for the Czech Republic and Slovenia) remain in the consolidation phase.

By contrast, the organizational capacity of NGOs in the Southern Tier and Eurasia faced consistent problems throughout the past ten years. The 2000 Index noted that organizational capacity was "still limited," labeling this a "serious threat" to NGO sustainability: "NGOs across the region lack crucial elements of organizational capacity such as strategic planning skills and an understanding of the appropriate role of boards of directors."⁹ A similar concern was refrained in subsequent years:

The 2001 Index: "Throughout the Southern Tier and Eurasia, most NGOs still have a long way to go to build strong constituencies, plan strategically and govern themselves effectively."¹⁰

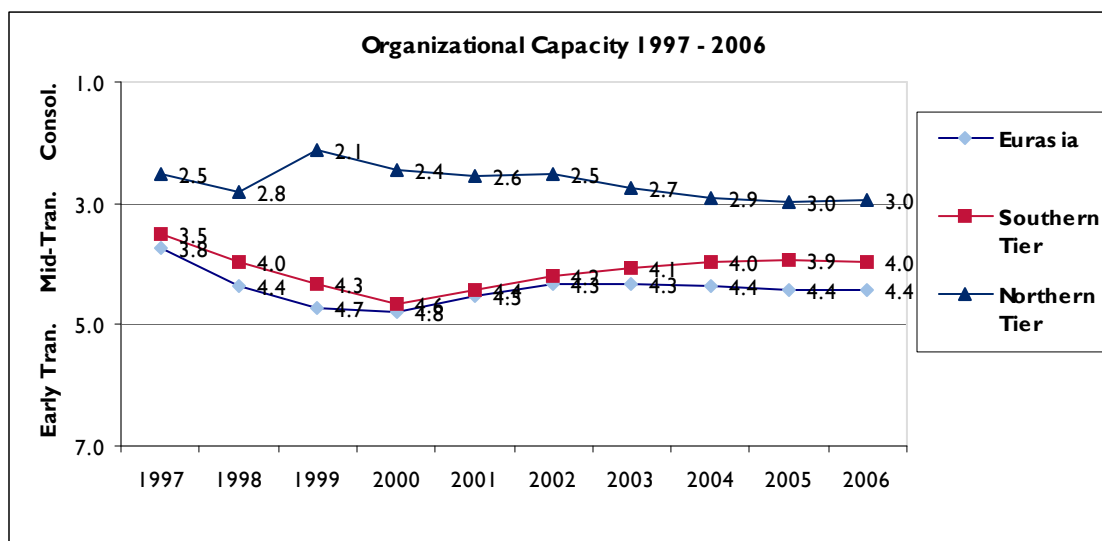
The 2002 Index: "While the organizational capacity of NGOs in Central and Eastern Europe and Eurasia continues to develop, several deficiencies are still commonplace."¹¹

⁸ 1999 Index, Executive Summary, p. 3.

⁹ 2000 Index, Executive Summary, p. 4.

¹⁰ 2001 Index, Executive Summary, p. 4.

¹¹ 2002 Index, Executive Summary, p. 4.



Deficiencies in organizational capacity spring in part from donor strategies. Donors tend to fund project-based activities rather than the internal capacity development. In addition, smaller, less experienced NGOs are more likely to accept donor-driven agendas that may not be tied to local constituencies, thereby undermining their link to the community. At the same time, many NGOs view the use of certain donor-recommended good governance practices skeptically: “boards are ... seen as a donor-driven development and their value to NGO operations is questioned.”¹² Ongoing challenges for NGOs therefore include developing a genuine sense of mission rather than being defined by donor strategies, establishing and using governing bodies rather than remaining dependent on one or two founders, maintaining financial accountability, and improving links to constituents and volunteers.

Despite the ongoing challenges facing NGO capacity, progress has been made. Notably, NGOs became increasingly Internet adept; in 2002, Bulgaria reported that 60% of NGOs were connected to the Internet.¹³ Kyrgyzstan reported the emergence of true organizations rather than non-governmental *individuals*.¹⁴ Perhaps most encouragingly, a broader trend has emerged in the ability of NGOs to identify and develop local constituencies. Albania, Bosnia, Croatia, Macedonia and Romania all reported in 2005 that organizations are reaching out to constituents more than in past years.¹⁵

Most recently, as noted in the 2006 Index, the NGO sectors in the Northern and Southern Tiers have both experienced increasing stratification – a development cutting across dimensions but closely related to organizational capacity. The trend has been observed in several countries, including Estonia, Hungary, Poland and Slovakia, and in Albania, Bosnia, Bulgaria, Croatia, Kosovo and Montenegro.¹⁶ Larger, more professional NGOs have improved their capacities, by securing EU funding, for example, or by taking on more staff, while smaller NGOs have remained weak and sometimes even ceased operations. Thus, the importance of organizational capacity to sustainability and even survivability is becoming clear. What remains unclear is whether this trend toward stratification is a positive or negative development for the sector as a whole.

¹² Id.

¹³ Id.

¹⁴ Id.

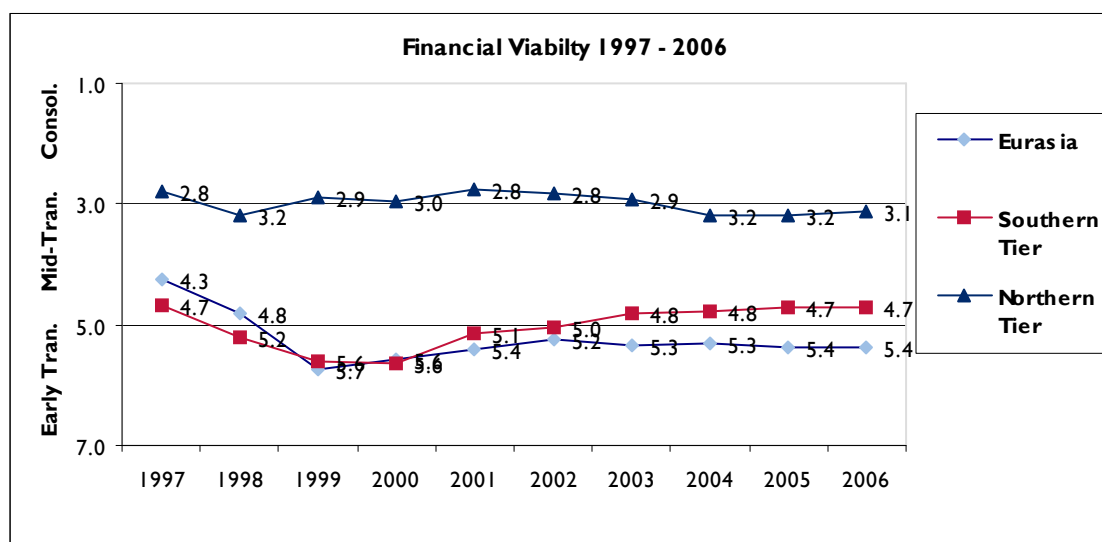
¹⁵ 2005 Index, Executive Summary, p. 5.

¹⁶ 2006 Index, Executive Summary, p. 7.

Financial Viability

Of all the Index indicators, it is financial viability that consistently poses the greatest challenge to the NGO sectors throughout each region. Perhaps more clearly than in other areas, problems of financial viability have roots not only at the micro level (e.g., limited financial transparency of individual organizations) and at the meso-sectoral level (e.g., the legal framework impacting the NGO sector as whole), but, significantly, in the macro-societal level (e.g. weaknesses in the overall economy). The overriding concern in the area of financial viability is the challenge to move from dependence on international donor support to a diversified funding base.

Countries of the Northern Tier confronted this issue as early as the late 1990s, when USAID discontinued its bilateral aid in several countries, and ended it altogether in 2004 with EU accession. In response, NGO sectors have taken advantage of innovative mechanisms for accessing resources.¹⁷ For example, in the Czech Republic, \$81 million in proceeds from the privatization process were channeled to NGOs in 2000. Hungary's 1% tax designation scheme generated more than \$27 million in contributions for NGOs in 2003 (an amount which continues to grow), and triggered the adoption of similar mechanisms in Slovakia, Lithuania, Poland and Romania. In short, NGOs in the Northern Tier have made strides toward diversified funding and laws intended to improve financial viability are in place in most Northern Tier countries – which, taken together, has placed the Northern Tier on the edge of the consolidation phase in this area (3.1 in 2006).



NGOs in the Southern Tier and Eurasia still face immense challenges and generally remain struggling in the early or mid transition phases. Many NGOs remain heavily dependent on international donor funding; the 2006 Index notes that foreign donor financing remains the predominant source of support, and the development of more diverse and local sources of funding remains a challenge.¹⁸ With the growing regulatory backlash against NGOs in many Eurasian countries, coupled with a decrease in foreign funding, the struggle for financial viability has only intensified. That said, there are several initiatives seeking to meet that challenge; notable examples include the National Foundation for Civil Society Development in Croatia, improved cooperation between NGOs and local governments in Bulgaria, increased domestic funding of

¹⁷ See Moore, David, *Law and Other Mechanisms for Promoting NGO Financial Sustainability*, 2004 Index.

¹⁸ 2006 Index, Executive Summary, p. 9.

NGOs in Ukraine, increased government and business support for NGOs in Armenia, and greater access to state funding in Russia.

As a general trend across regions – as illustrated by the examples above – NGOs have been more successful in accessing state support (e.g., budgetary subsidies, central government grants, and in-kind support from local governments) than in attracting other categories of income. Corporate and individual philanthropy have been slower to develop, although both Poland and Slovakia noted improvements in 2006. It should be noted that the tendency toward greater government support versus philanthropic support is common in many developed democracies, including the U.S.

Advocacy

Advocacy may be defined as citizens organizing collectively to advance shared interests with the expressed purpose to influence decision-making, usually of government officials at the national level, although increasingly of local level officials.¹⁹ Advocates plead in favor of something, on behalf of a constituency. Advocacy is limited to no single sphere of human interest; rather, advocacy can be employed to support a wide and diverse range of causes. Effective advocacy skills are directly linked to the sustainability of the sector, since it is through advocacy that NGOs can influence public policy, whether relating to the regulatory framework for the sector, funding resources for the sector, cooperation with government, or the interests of specific sub-sectors.

The dominant trend over the past ten years has been one of citizens organizing themselves more effectively to advance shared interests. This progress is attributable primarily to the efforts of committed and often brave men and women, to advocacy networks and cross-border information sharing, and to donor support (both financial and technical). That said, financial support for advocacy activity remains a key challenge, and authoritarian regimes threaten to undermine advocacy efforts with constraining regulation and targeted harassment. Thus, progress has been uneven across regions.²⁰

Most countries in the Northern Tier rank advocacy in the consolidation phase and indeed, have done so throughout the life of the Index. Only Hungary (3.2) and Slovenia (4.0) currently have scores falling in the mid-transition phase. The most significant development relating to NGO advocacy in the Northern Tier is arguably the creation of more institutionalized channels for NGO input into policy making. Examples include NGO involvement in ministry decision-making in Latvia, greater public access to government information online in Hungary, NGOs invited to consult on legislation and to participate in a council advising government in Poland, and new lobbying mechanisms in Lithuania. Three of these four countries (Latvia, Lithuania and Poland) have improved their advocacy scores in recent years. The line between political parties and civil society groups in Hungary became blurred because of the riots which took place in the fall of 2006 as well as parliamentary elections in which some civil society groups were seen as political actors, leading to the perception that civil society groups were being used as political tools. As a result, the advocacy score in Hungary remains set at 3.2.

NGO advocacy has shown slow but steady improvement over the past ten years in most countries of the Southern Tier. As early as 1999, NGOs in Albania and Bulgaria were forming partnerships with local authorities, and NGOs in Croatia demonstrated success in building coalitions to promote civic education and to mobilize voters.²¹ In more recent years, there have been increasing examples of advocacy initiatives led by local NGO coalitions, addressing issues as diverse as the Serbian elections in 2000, freedom of

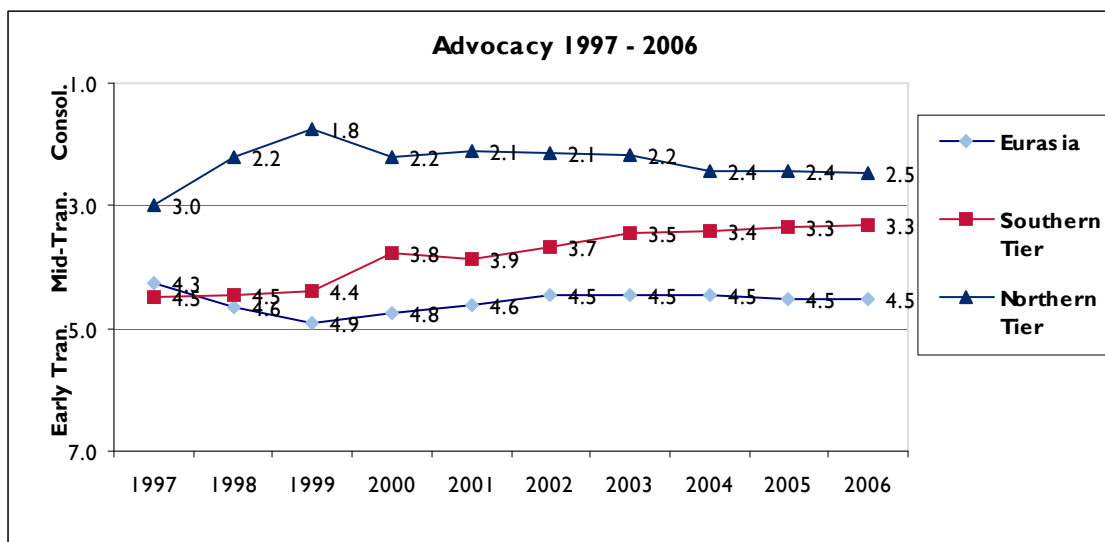
¹⁹ See Herman, Robert, Ph.D, *Advocacy in the Europe and Eurasia Region: Progress, Promise and Peril*, 2005 Index, for an in-depth look at what constitutes advocacy.

²⁰ *Id.*, pp. 26-29.

²¹ 1999 Index, Executive Summary, p. 5.

information and fiscal reform in Romania, government corruption in Albania, electoral reform in Kosovo, and minority rights in Montenegro, just to name a few.²² Most recently, advocacy ratings improved in Bulgaria, Croatia, Macedonia, and Montenegro, where NGOs carried out successful advocacy initiatives.²³ At the same time, scores in Serbia and Kosovo declined due to political obstacles, with the attention of the political elite in both countries focused almost exclusively on the Kosovo final status question.

Moreover, as in the Northern Tier, there are efforts to institutionalize NGO input in the Southern Tier. For example, some NGOs are developing more cooperative and participatory relationships with different levels of government. NGOs are represented on nearly all government policy groups in Kosovo, and in Romania the College for Civil Society Consultations gives NGOs greater access to the political process.



Advocacy in Eurasia presents a mixed picture. About half the countries show improved ratings over the ten years, while half display deteriorating scores. Notable improvements were recorded in Armenia, Azerbaijan, Kazakhstan, Moldova, Tajikistan and Ukraine. An increasing number of advocacy initiatives are being led by local NGO coalitions, to address issues such as nuclear waste in Russia, the proposed NGO law or media law in Kazakhstan,²⁴ and of course elections in Georgia, Ukraine and Kyrgyzstan. In recent years, however, NGOs in the more authoritarian regimes of Eurasia have struggled to influence public policy in the wake of events in Georgia and Ukraine. Azerbaijani NGOs were restricted from playing a significant role in advance of the 2005 elections, and the Belarusian government has effectively excluded NGOs from participation in policy making. The advocacy climate is equally restrictive in Turkmenistan and Uzbekistan, where there are few channels for NGO cooperation with government and few mechanisms for policy input.

Service Provision

In the third publication of the Index (1999), two new dimensions of NGO sustainability were introduced: service provision and sectoral infrastructure. USAID recognized that sectoral sustainability requires a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents, whether related to, for example, social welfare, health, education, job

²² 2001 Index, Executive Summary, p. 7; 2004 Index, Executive Summary, pp. 10-11.

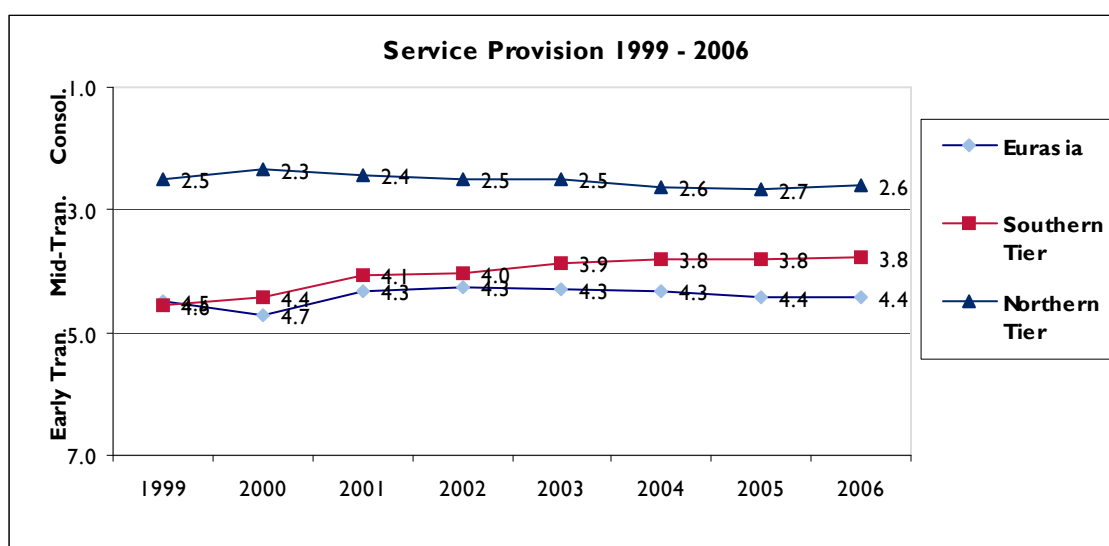
²³ 2006 Index, Executive Summary, p. 9.

²⁴ 2001 Index, Executive Summary, p. 7; 2004 Index, Executive Summary, p. 15.

training, legal assistance, agricultural and small business development, humanitarian relief, or citizen education and empowerment. In measuring service provision, the Index examines, among other issues, whether goods and services provided by NGOs reflect community needs, whether NGOs have market knowledge, and whether the government recognizes the value NGOs can bring to service provision.

In the past ten years, NGOs have increased the number of and improved the quality of available services in many countries. Nearly every country in the Southern Tier scored dramatic improvements in the area of service provision, with the exception of Serbia and Kosovo; the average of scores in the region jumped from 5.9 to 3.8. Half of the Eurasian countries also substantially improved scores, with the average moving from 5.6 to 4.4. More modest advances were recorded in the Northern Tier, with the regional average improving from 3.1 to 2.6; since the countries of the Northern Tier are approaching consolidation, improvements in dimension scores inevitably become more gradual.

Increased NGO service delivery developed partially in response to the contraction of government services, with NGOs working to fill the gaps in service delivery. NGOs also benefited from newly enacted legislation that expressly authorized governments to contract with NGOs for the delivery of services, as with the Law on Social Assistance (effective in 2003) in Bulgaria. Moreover, improved NGO/government cooperation, especially at the local level, both fueled and resulted from increased NGO service delivery.



Throughout the 1990s, the vast majority of NGO service programs were largely dependent on international donor support.²⁵ Both financial support and technical expertise were critical.²⁶ Indeed, the 2002 Index suggested that the lack of alternative financing was the greatest barrier to NGO service provision.²⁷ At that time, local governments were not always willing and able to provide the necessary financial resources, and the public was often reluctant to pay for services due to a lack of resources or the perception that NGO services should be free.²⁸ In more recent years, however, national and local governments have provided increasing funding to NGO service providers; the Bulgarian Law on Social Assistance referred to above, for example, has led to more active contracting between municipalities and

²⁵ 2001 Index, Executive Summary, p. 8.

²⁶ Technical assistance included the sharing of models, transference of knowledge, and the mentoring of skills development, all of which was vital to capitalizing on financial investments.

²⁷ 2002 Index, Executive Summary, p. 7.

²⁸ Id.

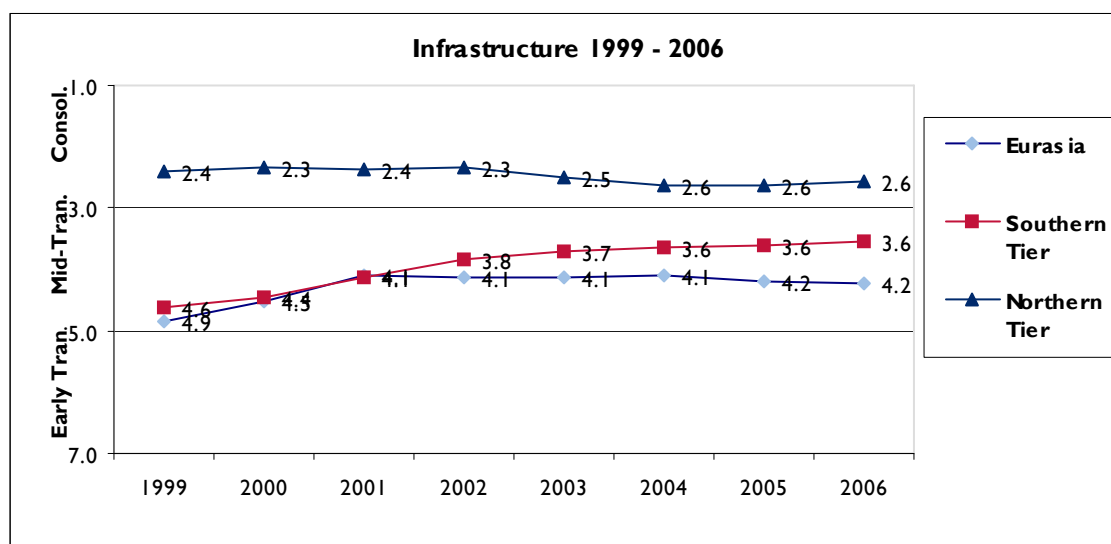
social service providing NGOs. The transparency of public funding generally, and service contracting in particular, however, remains an issue of concern across regions.

Infrastructure

Sectoral infrastructure, also introduced as a separate component of the Index in 1999, is a critical dimension of overall sustainability. Through access to Intermediary Support Organizations (ISOs) NGOs can receive support services, which may include information, advice or training. Through a supportive infrastructure, NGOs have greater access to NGO networks and coalitions that pursue issues of common interest. The presence of an *infrastructure* capable of supporting, protecting, and nurturing the sector is measured by the quantity, diversity, and quality of institutions in place to ensure that the space for NGO and citizen input is an enduring element of society.

Already by 1999, most Northern Tier countries ranked NGO infrastructure in the consolidation phase. Poland boasted a network of seven NGO support centers, Slovakia reported the existence of regional associations, national umbrella organizations and a network of service centers, and Hungary pointed to a strong cadre of well-trained NGO professionals serving the sector.²⁹ At the same time in the Southern Tier and Eurasia, most countries, lacking any developed infrastructure of intermediary support organizations (ISOs), were ranked in the early transition phase.

In the following years, NGO sector infrastructures in the countries of all three regions matured noticeably, with the most significant progress in the Southern Tier and Eurasia. NGO resource centers were well established throughout the Northern Tier but also became active in Albania, Azerbaijan, Croatia, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Turkmenistan and Ukraine. Well-trained cadres of indigenous trainers were rooted in the Northern Tier but also developed in Azerbaijan, Bosnia, Russia, Tajikistan and Ukraine. Strong NGO coalitions emerged in advance of critical elections in Slovakia (1998), Croatia (1999), Serbia (2000), Georgia (2003) and Ukraine (2004). Cross-border partnerships developed, facilitating the sharing of experience between the Northern Tier and other regions. Coordination events aimed at facilitating information exchange have become increasingly common, such as the convening of a National Forum in Moldova or NGO Fairs that are held in Croatia and Macedonia.



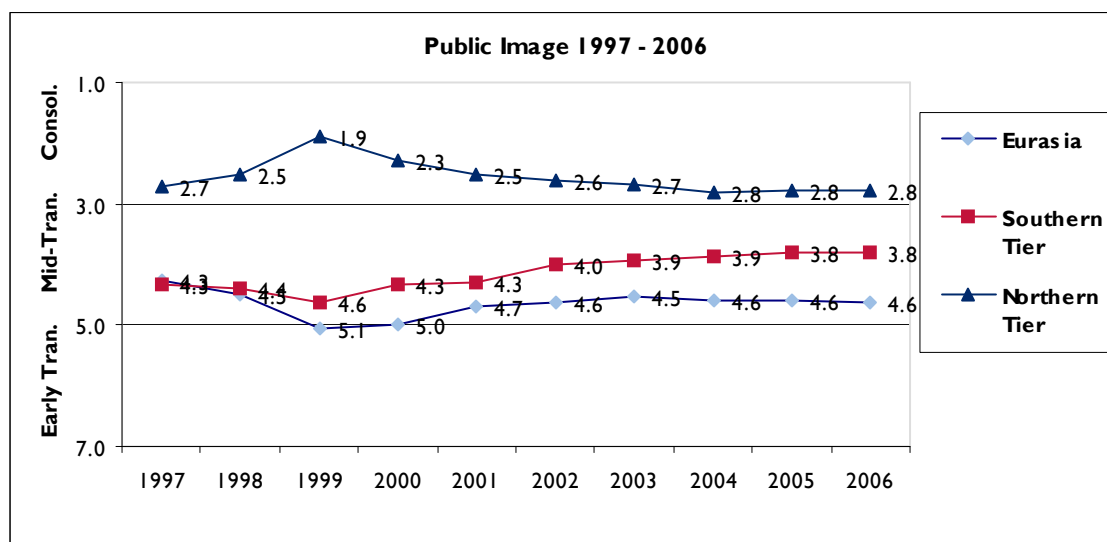
²⁹ 1999 Index, Executive Summary, p. 2-3.

Public Image

For the sector to be sustainable, government and communities should have a positive public image of NGOs, including a broad understanding and appreciation of the role that NGOs play in society. Public awareness and credibility directly affect the ability of NGOs to recruit members and volunteers, attract financing support, engage effectively in advocacy and provide services effectively. Public image of the NGO sector is measured by the nature and extent of media coverage, the government willingness to engage with NGOs, and the general public's awareness and perception of the sector.

While advances were recorded in each region during the past ten years, it was more modest progress than in most other dimensions. Indeed, the ratings in 13 of 29 jurisdictions either remained stagnant or deteriorated. After financial viability, poor public image represents perhaps the most formidable obstacle to NGO sustainability – especially in the Southern Tier and Eurasia.

In these regions, the image of the sector was regularly reported as poor, marked either by an ongoing lack of public knowledge or understanding about NGOs, or by high levels of distrust. Public surveys revealed that in Montenegro NGOs were perceived as partisan and mercenary, and used primarily to get money.³⁰ Surveys in Armenia showed a very low level of awareness of NGO activities.³¹ In several Eurasian countries, NGOs are perceived as being anti-governmental and/or tools of foreign governments, and thus not representative of local needs.³² The image of the sector in Georgia suffered from media coverage of scandals and the belief that NGOs serve foreign interests. Most NGOs have been slow to develop effective media strategies to combat the indifference and suspicion, and NGOs in certain Eurasian countries (Belarus, Central Asia) may avoid the media altogether as a matter of self-preservation.³³



Recognizing these challenges, NGOs have responded in a variety of ways. These include the regular use of media, through, for example, monthly inserts to the newspaper in Estonia, a weekly radio show in Lithuania, and the use of free or reduced airtime charges for public service announcements in Armenia.³⁴

³⁰ 2001 Index, Executive Summary, p. 10.

³¹ 2006 Index, Executive Summary, p. 12.

³² 2001 Index, Executive Summary, p. 10.

³³ 2005 Index, Executive Summary, p. 8.

³⁴ 2002 Index, Executive Summary, p. 8.

In addition, the sector's public image may benefit from NGO Fairs, corporate awards, and other methods of recognition. Compliance with legal requirements designed to ensure NGO transparency is also critical to public image. NGOs in countries throughout the Southern Tier are finally improving their relations with media, which helps ensure more frequent and more positive news coverage.³⁵

CONCLUSION

Overall sustainability scores reveal, interestingly, that at the regional level:³⁶

- Only the countries of the Southern Tier made steady and lasting progress – based on improvements in the average country score from 4.5 (1998) to 3.8 (2006). At least two countries are now on the verge of the consolidation phase.
- In contrast, countries in the Northern Tier made initial improvements, before giving way to deteriorating scores – moving from 2.7 (1998) to 2.3 (1999) and back to 2.7 (2006). This scoring fluctuation, however, masks real progress in the Northern Tier toward sustainability, and is attributable to a variety of factors, including (a) over-optimism in the 1990s that created unrealistically high expectations, which, when not met, turned to disappointment that was reflected in the scoring; and (b) the reality that countries in the consolidation phase do not have the same opportunities for dramatic scoring improvements as those in the early or mid-transition phases.
- The average country score in Eurasia reveals stagnancy: 4.6 in 1998 and 4.6 in 2006. This, however, is somewhat misleading in that about half the countries boast improved scores during the ten years (Armenia, Azerbaijan, Kazakhstan, Moldova, Tajikistan, Turkmenistan and Ukraine), while the other half show deteriorating scores (Belarus, Georgia, Kyrgyzstan, Russia and Uzbekistan).

Throughout the life of the Index, a noticeable gap has existed between the Northern Tier and the other two regions. The gap between the Northern and Southern Tiers has narrowed, due to the advances in the latter region, while the gap between the Northern Tier and Eurasia is the same in 2006 as in 1998. As of 2006, every Northern Tier country (but for Slovenia) is ranked in the Consolidation Phase. Every Southern Tier country falls into the Mid-Transition Phase, though Bulgaria (3.2) and Croatia (3.3) are moving closer to Consolidation. Of all Southern Tier countries, Serbia ranks the lowest. Nearly every country of the Eurasia region is also ranked in the Mid-Transition Phase. Only Uzbekistan, Turkmenistan and Belarus remain in the Early Transition Phase. In addition, it is noteworthy that of eight countries in the Early Transition Phase during the early years (1998-2000) of the Index, only those three countries just listed remain, while five countries (Armenia, Azerbaijan, Bosnia, Serbia and Tajikistan) have successfully transitioned to the Mid-Transition Phase.

The past ten years have shown that NGO sustainability cannot be taken for granted; progress is by no means inevitable or irreversible. On the contrary, it would be more accurate to say reverses are to be expected, whether due to economic slowdowns or regulatory crackdowns. All of this underscores the importance of the continued commitment of governments, donors and NGO practitioners in each country toward improving the environment for NGO sustainability. NGO sustainability is not a final destination or a once-and-for-all achievement; it is an ongoing journey and challenge.

³⁵ 2005 Index, Executive Summary, p. 6.

³⁶ For the regional averages, we look to the 1998 Index rather than the 1997 Index, simply because the regional average was not calculated in 1997.